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FM AMEMBASSY VIENTIANE
TO RUEHC/SECSTATE WASHDC 1613
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS VIENTIANE 000801

SIPDIS

(C O R R E C T E D - COPY) CLASSIFICATION

SENSITIVE

STATE FOR EAP/MLS
STATE FOR L/EEB JOHN SCHNITKER
STATE FOR EB/IFD/ODF CONNELL
STATE PASS USTR FOR BISBEE
COMMERCE FOR ITA H.P. PHO
TREASURY FOR S. CHUN

E.O. 12958: DECL: N/A

TAGS: [ETRD](#) [EAID](#) [EFIN](#) [PREL](#) [EINV](#) [LA](#)

SUBJECT: LAOS PRESSES FOR LIFTING OF EXIMBANK LIMITATION

REF: VIENTIANE 442

11. (SBU) Summary: The prohibition on EXIM Bank operations in Laos -- based on the characterization of Laos as a Markist-Leninist country -- is out of date and does not serve U.S. interests. GOL views the EXIM ban as inconsistent with the USG's economic policy toward Laos, highlighted by Congressional action in 2004 to grant Laos Permanent Normal Trade Relations status. Action to end the ban on EXIM programs would affect the Lao reaction to the recent decision to waive certain provisions of the INA (related to material support to terrorists) as they apply to ethnic Hmong. Lifting the ban would also serve U.S. interests by strengthening those in the Lao government who are promoting improved relations with the U.S. and further market-based economic reforms. End summary.

12. (SBU) The Lao government has repeatedly raised the prohibition against Eximbank financing to U.S. companies operating in Laos at senior levels to include the Prime Minister. The GOL views the continued ban as, at best, an anachronism from the Cold War. They consider the Exim ban to be inconsistent with the positive trend in U.S.-Lao economic relations that has included the signing of the 2005 Bilateral Trade Agreement and Congressional approval of NTR in 2004. The Lao also suggest that lifting the Exim ban would increase American investments in and exports to Laos, thus benefiting both the American and the Lao economy.

13. (SBU) Seen in the light of our overall objectives, the Embassy believes Administration actions to lift the ban would be in the U.S. interest. Lifting the ban would strengthen the hand of those in the Lao government who are working with us to implement the BTA and prepare for Laos to enter the WTO. Although removing the Eximbank prohibition is unlikely to have an immediate economic impact, having Eximbank financing options available to U.S. companies increases the potential for U.S. exports. Embassy believes that EXIM financing could support future sales of aircraft, as well as power-generating equipment, for example.

14. (SBU) Further, the Lao government views with serious concern the October 20 issuance of an exemption to "material support to terrorism" provisions of the Immigration and Nationality Act to persons who provided assistance to ethnic Hmong anti-government elements in Laos (ref B). We have yet to see the full political impact of this decision, but we anticipate that it will lend support to old-school

authoritarians inside the government who see the lessening of internal controls and closer ties with the United States as mistakes. A positive response to the Prime Minister's request on Eximbank would be a timely signal of our continued desire to support Laos' economic development and be well received by the reform-minded leaders, largely concentrated in the economic ministries.

HUSO